Report for the third quarter ended December 31, 2009

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Letter to the shareholder

Dear Shareholder,

This New Year arrived with a spirit of revival and a palpable anticipation of better times as signs of the economic recovery become clear. On this very positive note, we wish you a happy and prosperous New Year. At the close of the third quarter, our income stood at Rs. 5,741 crore, a growth of 2.8% over the previous quarter and a decline of 0.8% over the corresponding quarter last fiscal. As per the International Financial Reporting Standards (IFRS), our revenues stood at $ 1,232 million, a growth of 6.8% over the previous quarter and 5.2% over the corresponding quarter last fiscal.

All in all, we had a splendid quarter when we outperformed our last guidance. The contribution to our revenues from our top ten clients grew by 12.2% sequentially. We added 32 clients, five of who are Fortune 500 companies. Our strategy of investing in training and skill development of our employees, through the downturn, has enabled us to meet the augmented demand of our clients, following the onset of the economic recovery. This quarter, when the revenues grew by 6.8% (IFRS) and the business volume by 6.1%, we have been able to increase our utilization from 73% to 76%. Although the budgets of our clients will be status quo for some time, analysts and market observers have predicted increased spending on offshore engagements and outsourcing, and we hope to benefit from this.

Our oft-repeated mantra through the downturn has been to build on our strengths rather than merely deal with the crisis. Our steadfast focus on Intellectual Property (IP)-based solutions, New Engagement Models (offering flexible pricing and operational control to clients), research and innovation have helped us emerge stronger from the crisis, and better equipped to meet the increased and complex demands of our clients who are bouncing back to a growth mode.

Our solutions such as ShoppingTrip360, iTransform, Supply Chain Visibility, and Collaborative Analytics have acquired traction among our clients. During the third quarter, we launched Flypp™, an application platform that enables mobile service providers to enhance customer experience with a host of ready-to-use experiential applications across several devices. In addition, Finacle™, our universal banking solution, launched the Finacle Advizor™, an integrated platform that empowers banks to deliver products and services through a fully assisted self-service channel. Infosys BPO teamed up with Oracle through the 'BPO Powered by Oracle program' to launch a comprehensive managed services platform for multi-function HR.

In the third quarter, we were granted two patents by the United States Patents and Trademark Office (USPTO): one for effective transportation of packetized data communication and the other for our Domain Specific Abstract Core that provides the architecture for implementing embedded applications across domains. As of the third quarter, we have 219 patent applications (pending) in India and the U.S. and have been granted six patents by USPTO.

We are increasing our focus on exploring new markets aggressively, expanding our range of services and pursuing transformational Global Sourcing deals. Among the large transformational deals that we won this quarter, one is worth more than $ 200 million. During the third quarter, we incorporated our wholly owned Brazilian subsidiary – Infosys Tecnologia Do Brasil Ltda. This new center will offer our complete suite of services to our Brazilian clients and Brazilian subsidiaries of global customers. This quarter, we also inaugurated our premises in New Zealand, opening our first office in Wellington. We continue our momentum in China, Mexico, Japan and Australia.

As our quiet fortitude through the crisis yielded results, partners and industry authorities also celebrated our achievements. The 2009 list of the Global Most Admired Knowledge Enterprises (MAKE) included us, making it our sixth time. The 2009 Global MAKE winners were chosen by a panel of Fortune 500 senior executives and internationally recognized knowledge management/intellectual capitals/innovation/organizational learning experts. Oracle named us a winner of a North America Oracle Titan Award during Oracle® OpenWorld 2009, acknowledging us as one of their leading partners for outstanding solutions and business practices developed or delivered in fiscal 2009. We were named among leaders of Oracle service providers in a report by an independent research company. "Infosys emerged a leader of the offshore firms, with a sizable practice and strong client references to showcase its ongoing foray into the Oracle services space," according to the report.

Many years of commitment to universal education, talent development and the environment have bestowed us with a social conscience. The year 2009 was a landmark in this regard as we founded the Infosys Science Foundation to instill the much needed stimulus in scientific research among young Indians. This foundation instituted the 'Infosys Prize' that was awarded in physical sciences, mathematical sciences, life sciences and social sciences on January 4, 2010, at a grand ceremony in New Delhi.

Closing this great quarter and its milestones, we express deep gratitude to our clients, shareholders, employees, and well wishers for trusting and supporting us through the uncertainties. As we had promised you, we have emerged stronger from the downturn and are now poised to deliver enhanced value to our clients and meet the expectations of a crisis-worn market. As always, we seek your invigorating support as we set out for greater successes.

Mysore
January 12, 2010

S. Gopalakrishnan
Chief Executive Officer and Managing Director

S. D. Shibulal
Chief Operating Officer and Director

Select Financial Data – Indian GAAP (Consolidated)

Profit and loss account for the quarter ended

in Rs. crore, except per share data

	December 31, 2009	December 31, 2008	Year-on-year Growth (%)	September 30, 2009	Sequential Growth (%)
Income from software services, products and business process management	5,741	5,786	(0.8)	5,585	2.8
Software development and business process management expenses	3,009	3,075	(2.1)	2,963	1.6
Gross profit	2,732	2,711	0.8	2,622	4.2
Operating expenses:					
Selling and marketing expenses	314	274	14.6	276	13.8
General and administration expenses	380	406	(6.4)	413	(8.0)
Total operating expenses	694	680	2.1	689	0.7
Operating profit before depreciation and minority interest	2,038	2,031	0.3	1,933	5.4
Depreciation	231	187	23.5	232	(0.4)
Operating profit before tax and minority interest	1,807	1,844	(2.0)	1,701	6.2
Other income, net	230	38	505.3	236	(2.5)
Net profit before tax and minority interest	2,037	1,882	8.2	1,937	5.2
Provision for taxation	455	241	88.8	397	14.6
Net profit after tax and before minority interest	1,582	1,641	(3.6)	1,540	2.7
Minority interest	–	–	–	–	–
Net profit after tax and minority interest	1,582	1,641	(3.6)	1,540	2.7
Earnings per share (Equity shares, par value Rs. 5/- each)					
Basic	27.75	28.66	(3.2)	26.86	3.3
Diluted	27.72	28.63	(3.2)	26.83	3.3

Balance sheet

in Rs. crore

	December 31, 2009	March 31, 2009
Sources of funds		
Shareholders' funds	22,408	18,254
Minority interest	–	–
	22,408	18,254
Application of funds		
Fixed assets	5,387	5,354
Sundry debtors	3,369	3,672
Cash and cash equivalents*	14,449	10,993
Deferred tax assets	286	126
Other net current assets	(1,083)	(1,891)
	22,408	18,254

** Including liquid mutual funds and deposits with financial institutions*

Ratio analysis – Indian GAAP (Consolidated)

	Quarter ended		
	December 31, 2009	December 31, 2008	September 30, 2009
Software development expenses / total revenue (%)	52.41	53.15	53.05
Gross profit / total revenue (%)	47.59	46.85	46.95
SG&A expenses / total revenue (%)	12.09	11.75	12.34
Operating profit / total revenue (%)	35.50	35.10	34.61
Tax / PBT (%)	22.34	12.81	20.50
Days sales outstanding (DSO) (LTM)	55	62	55
Cash and cash equivalents / total assets (%)**	64.48	55.30	66.46
ROCE (PBIT / average capital employed) (%) (LTM)	39.09	40.55	41.71
Return on average invested capital (%) (LTM)**	71.34	71.79	81.11

*** Investments in liquid mutual fund units, certificates of deposit and deposits with financial institutions have been considered as cash and cash equivalents for the above ratio analysis*

LTM Last Twelve Months

Select Financial Data – IFRS (Consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	December 31, 2009	December 31, 2008	Year-on-year Growth (%)	September 30, 2009	Sequential Growth (%)
Revenues	$1,232	$1,171	5.2	$1,154	6.8
Cost of sales	700	661	5.9	662	5.7
Gross profit	$532	$510	4.3	$492	8.1
Operating expenses:					
Selling and marketing expenses	68	55	23.6	57	19.3
Administrative expenses	82	82	–	85	(3.5)
Total operating expenses	$150	$137	9.5	$142	5.6
Operating profit	$382	$373	2.4	$350	9.1
Other income	50	7	614.3	49	2.0
Profit before income taxes	432	380	13.7	399	8.3
Income tax expense	98	48	104.2	82	19.5
Net Profit	$334	$332	0.6	$317	5.4
Earnings per equity share					
Basic ($)	0.59	0.58	1.7	0.56	5.4
Diluted ($)	0.59	0.58	1.7	0.56	5.4

Balance sheet data as at

in United States Dollar millions

	December 31, 2009	March 31, 2009
Cash and cash equivalents*	$3,105	$2,167
Trade receivables	724	724
Property, plant and equipment	961	920
Other assets	788	565
Total assets	$5,578	$4,376
Other liabilities	760	592
Total equity	4,818	3,784
Total liabilities and equity	$5,578	$4,376

**Cash and cash equivalents include deposits with corporations and available-for-sale financial assets.*

The Securities and Exchange Board of India (SEBI) had on November 9, 2009 issued a press release permitting listed entities having subsidiaries to voluntarily submit the consolidated financial statements as per IFRS. Pending the notification of the circular, for the quarter ended December 31, 2009, the company has voluntarily prepared and published consolidated IFRS Financial Statements, in addition to preparing and publishing audited standalone and audited consolidated financial statements in accordance with Indian GAAP. Our statutory auditors have, additionally, performed a review of the Consolidated IFRS financial statements as at and for the quarter and nine months ended 31 December 2009 and have issued an unqualified review report. The IFRS numbers presented for fiscal 2009 are unaudited and have not been reviewed. Upon issuance of the notification of the Circular by SEBI and change in Listing Agreement, we will only publish consolidated financial statements as per IFRS.

Income statement for the quarter ended

in Rs. Crore, except per share data

	December 31, 2009	December 31, 2008	Year-on-year Growth (%)	September 30, 2009	Sequential Growth (%)
Revenues	5,741	5,786	(0.8)	5,585	2.8
Cost of sales	3,263	3,267	(0.1)	3,203	1.9
Gross profit	2,478	2,519	(1.6)	2,382	4.0
Operating expenses:					
Selling and marketing expenses	314	274	14.6	276	13.8
Administrative expenses	380	407	(6.6)	413	(8.0)
Total operating expenses	694	681	1.9	689	0.7
Operating profit	1,784	1,838	(2.9)	1,693	5.4
Other income	230	38	505.3	239	(3.8)
Profit before income taxes	2,014	1,876	7.4	1,932	4.2
Income tax expense	455	241	88.8	397	14.6
Net Profit	1,559	1,635	(4.6)	1,535	1.6
Earnings per equity share					
Basic (Rs.)	27.33	28.72	(4.8)	26.91	1.6
Diluted (Rs.)	27.30	28.69	(4.8)	26.87	1.6

Select Financial Data – IFRS (Consolidated)

Balance sheet data as at

in Rs. Crore

	December 31, 2009	March 31, 2009
Cash and cash equivalents*	14,449	10,993
Trade receivables	3,369	3,672
Property, plant and equipment	4,473	4,665
Other assets	3,675	2,871
Total assets	25,966	22,201
Other liabilities	3,546	3,007
Total equity	22,420	19,194
Total liabilities and equity	25,966	22,201

**Cash and cash equivalents include deposits with corporations and available-for-sale financial assets.*

Additional Information

The following information for the quarter and nine-months ended December 31, 2009 is available in the Investors' section of our website (www.infosys.com)

1. Audited balance sheet, profit and loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter and nine-months ended December 31, 2009 and the related auditor's report: Indian GAAP standalone and Indian GAAP consolidated.
2. Ratio analysis and shareholder information.
3. Unaudited condensed consolidated interim financial statements prepared in compliance with International Financial Reporting Standards.

Infosys is concerned about the environment and utilizes natural resources in a sustainable way. To this end, we have sent the quarterly report via email to shareholders who have updated their email addresses with the depository participant. In order to intensify our paper conservation drive, we plan to send the quarterly report to the shareholders only via email from the first quarter of next fiscal, i.e. from June 2010. We will continue to host the quarterly report on the company's website so that it is easily accessible to the investors anytime. We request you to kindly update your email addresses with your depositary participant. A physical copy of the report will be sent only on request. You can send the request to investors@infosys.com. Your cooperation will help conserve paper and minimize our impact on the environment.

This Report is furnished to investors for informational purposes only. Investors should continue to rely on the official filed versions of financial statements and related information and not rely on this Report while making investment decisions. Investors in our securities registered and traded in the United States of America should rely on official filings with the United States Securities and Exchange Commission.

Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding the success of our investments, risks and uncertainties regarding fluctuations in earnings including on account of currency fluctuations, our ability to sustain our previous levels of profitability, our ability to manage growth, intense competition in information technology, business process outsourcing and consulting services including those factors which may affect our cost advantage, client concentration, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property, economic slowdowns or adverse economic conditions in the markets for our services and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2009, quarterly report on Form 6-K for the three months ended June 30, 2009 and September 30, 2009 and our other recent filings. These filings are available at www.sec.gov. We may, from time to time, make additional written and oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to shareholders. We do not undertake to update any forward-looking statements that may be made from time to time by or on our behalf.